

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 11/24/2010

GAIN Report Number: EZ1006

Czech Republic

Post: Prague

The First Hundred Days of the New Czech Minister of Agriculture

Report Categories:

Agricultural Situation

Approved By:

Michael T. Henney

Prepared By:

Jana Mikulasova

Report Highlights:

In his first 100 days leading the Czech Republic's Ministry of Agriculture, Minister Fuksa has taken on "uncomfortable" issues - unfinished land reform, biotechnology, and belt tightening. Austerity measures he is pursuing include: streamlining administrative and bureaucratic requirements, abolishing and/or consolidating institutions within his sector and eliminating "Top Up" additional subsidy payments to farmers in 2011. Minister Fuksa is on record as wanting to privatize some research institutes, close others, with the goal to bring greater efficiency to and application of research supported by the public. Among his efforts is instilling greater transparency in the state-owned 'Lesy CR' (Forests Czech Republic) operations.

General Information:

Policy:

After one hundred days at the Ministry, Ivan Fuksa, the Czech Minister of Agriculture and Environment, evaluated the progress in his five major priority areas. His priorities include:

1. Fair conditions for entrepreneurship in agriculture
2. Cost economies, austerity measures in the sector, and incorrupt and rational administration of the state owned property
3. Soil conservation
4. Increase of competitiveness of Czech farmers
5. Conclusion of property settlements

For each of his priorities certain ruling principles were applied, concrete steps taken and/or development plans formulated including a few perceived by some members of society as rather controversial.

Fair conditions for entrepreneurship in agriculture

Main principles applied in this area:

- Subsidies are conditioned by a requirement to keep land in a good agricultural and environmental condition (GAEC)
- EU subsidy system must not harm Czech farmers
- National subsidies "Top Up" are corresponding to the financial possibilities of the state budget

EU Common Agriculture Policy (CAP) after 2013 has been a major topic of many discussions. The Czech Ministry of agriculture organized expert round tables and gathered input on CAP after 2013 from various stake holders, including non-governmental agrarian organizations. As a result of these activities the Agriculture Ministry prepared a document called "Starting points of the Czech Republic position on future form of CAP after 2013". In addition, on November 9 Minister Fuksa signed the "Joined Declaration on the CAP Reform" in Bratislava along with five Agricultural Ministers from five new member states.

The Czech Republic's position on CAP is discussed in detail in GAIN report no. PL1019.

In conjunction with direct payments to farmers funded through the national budget process, the Government of the Czech Republic (GOCR) issues national subsidies known as "Top Up" payments. Top Up payment levels have been the source of farmer protests in the past, and will likely generate protests in the future as the GOCR has declared its desire to eliminate these payments completely in 2011 under the government austerity program.

In 2009 national Top Up payments to farmers could reach 7 billion CZK, the ceiling set by the EU accession agreement, if Top Up subsidies are financed 100 percent. The GOCR national budget authorized 6.3 billion CZK. Top Up payments are in addition to direct payments.

In 2009 farmers protested against the Ministry of Agriculture (MoA) proposal to significantly lower Top Up payments in 2010. The Top Up subsidy level authorized under Czech Republic's accession

agreement for 2010 is equivalent to about 7 billion CZK while the MoA's initial budget allocation for these payments totaled approximately a quarter of that amount. Farmer actions, however, led the MoA to transfer an additional 1.5 billion CZK to the Top Up category, bringing the actual current 2010 funding level to 3.8 billion CZK. Farmers continue to press the Ministry for additional resources for the Top Up subsidy.

In 2011 Top Up payments nationally could reach 4.8 billion CZK, the ceiling set by the EU accession agreement. However, the government would like to abandon the payments altogether in support of new government austerity measures.

Cost economies, austerity measures in the sector, and incorrupt and rational administration of state owned property

Main principles applied in this area:

- Clear definition of state interests in businesses administered by the Ministry of Agriculture
- Evaluation of the efficiency of activities and projects
- Transparent tenders

Minister Fuksa did not approve the change in the State Agricultural Intervention Fund (SZIF) computer information system (the main tool for processing all payments for farmers) due to the lack of a regular and transparent tender process. The contract which would have cost the Ministry/SZIF approximately 1.5 billion CZK was halted. Minister Fuksa justified his actions on budgetary grounds timing, which would have jeopardized farmers' ability to receive timely payments, and possibly result in SZIF losing its EU accreditation to issue payments.

Minister Fuksa's actions resulted in Lesy CR (Forests Czech Republic), a state-owned company, changing its system to sell wood using one-year tender process. The Minister claims Lesy CR should receive better prices thus more money per cubic meter of wood as a result. Preliminary results of the first tender under the new system show that only 17 of 67 participating wood buyers were chosen. Political opponents view the Minister's action as controversial as it returns a business practice cancelled by the previous Minister. Smaller wood buyers strongly criticize the new system as they are unable to compete with larger companies on price. The State owns the vast majority of forests in the Czech Republic.

Soil conservation

Main principles in this area:

- Every year, soil erosion destroys millions of tons of arable land causing damages of millions of CZK
- Every day 5 hectares of agricultural land are converted to urban use

By extending Good Agricultural and Environmental Condition (GAEC) rules to more land, more area becomes protected for future generations. Total area of land in this regime today reaches 40 percent of all arable land.

With support from Minister Fuksa, Ministry of Agriculture and the Ministry of Environment, legislation

that regulates removal of land from the agricultural land fund will become stricter. The Agricultural Ministry will assist farmers affected by floods earlier this year and any land changes will be executed together with new anti-flood protection measures.

Increasing of competitiveness of the Czech farmers

Main principles applied in this area:

- Modernization of agriculture
- Removal of unnecessary bureaucracy
- Support of local and ecological production
- Support of services with added value, agro-tourism

Minister Fuksa gave additional authority to the existing Anti-Bureaucratic Commission of the Ministry of Agriculture. He solicited the general public to report all redundant administrative burdens required by the Ministry of Agriculture using a special electronic form created for this purpose on the Ministry website. The Anti-Bureaucratic Commission will collect and analyze the data and initiate steps for elimination of unnecessary bureaucratic and administrative burdens.

The Ministry of Agriculture implemented a new program to promote local agricultural and food production. The Regional Food Product (“Regionalni potravina”) label, introduced this year, is aimed mainly at small and mid-sized producers of typical regional food products. Products must be made mostly from domestic raw materials and must meet high quality standards in order to bear the label.

In the near future, Minister Fuksa would like to focus the Rural Development Program after 2013, on modern technologies and innovations. He would like to promote use of biotechnology (at the time being just) for non-food purposes. The Minister plans to support on farm sales, local production, and labeling of origin in order to help consumers find domestic products on the market.

Conclusion of property settlements

With establishment of a new Land Authority, related legislation still needs to be revised before much additional movement can take place. However, the Minister is on record for wanting to reopen the question of Church property, since it also involves agricultural and forest lands, and to finalize restitution to former land owners. Under the Land Reform Act, land that previously belonged to the Church can be restituted and land that is blocked for development for varying reasons can be unblocked.

Previous governments have shied away from the Church land restitution issue, and blocked land issue due to their complexity which is rooted in land confiscation under the former communist regime (pre-1989). Many plots of land have been blocked from transfer to new ownership as laws do not address how to deal with unknown or unidentifiable ownership or to swap out inaccessible property.

Related reports:

New Ministers of Agriculture and Environment

<http://fasintranetapps-gain.fas.usda.gov/Applications/FileDownload.aspx?FileID=4737>

